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The Treasury Note

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Recent State Bond Sales

CSU Competitive Sale Receives Eight Bidders

Using the Internet to conduct an online competitive bid process, the State sold \$20.98 million in revenue bonds for the California State University (CSU).

The sale marks the first time CSU received bids from eight different firms. The increased number of bidders provided greater competition and lower costs for CSU. Bidders were able to submit bids using online services provided by Bloomberg, MuniAuction, or Parity. Each system was utilized.

Firms submitting bids were: Banc of America Securities LLC; Merrill Lynch & Company; PaineWebber, Incorporated; Prudential Securities Incorporated; Salomon Smith Barney; Stone & Youngberg LLC; U.S. Bancorp Piper Jaffray; and William R. Hough & Company. Banc of America Securities LLC won the bid with the lowest true interest cost of 5.5997 percent.

The bonds are fully insured by Financial Guaranty Insurance Company (FGIC) and carry Moody's Investor Service and Standard and Poor's ratings of Aaa and AAA, respectively. Moody's Investors Service and Standard & Poor's assigned underlying ratings of A2 and A, respectively.

Orrick, Herrington & Sutcliffe LLP and the Law Office of Pamela S. Jue served as co-bond counsel and Kelling, Northcross & Nobriga provided financial advisory services.

CSU will use the bond proceeds to finance construction of Phase II of the California State Polytechnic University, Pomona Student Union project. Phase II is scheduled to start in mid-April and will add over 53,000 square feet of space to the Student Union to alleviate overcrowded conditions and provide additional services.

General Obligation Bonds

The State sold \$500 million in general obligation bonds on April 19. The bonds were sold to support K-12 class size reduction, public education facilities, higher education facilities, seismic retrofit of state buildings and state owned highways and toll bridges, and clean water and water conservation programs.

The bonds sold in a competitive sale, with bids received from syndicates led by Merrill Lynch & Co., BancAmerica Securities LLC, Morgan Stanley & Co. Inc., and Bear, Stearns & Co. Inc. Merrill Lynch & Co. won the bid with the lowest true interest cost of 5.4904 percent. In addition to hand-delivery, bidders were able to submit bids using one of three electronic services, Bloomberg, MuniAuction, or Parity.

The three major rating agencies, Fitch IBCA, Inc., Moody's Investors Service, and Standard & Poor's, rated the bonds AA, Aa3, and AA-, respectively.

If you are interested in purchasing the bonds mentioned above, please contact your broker.

California's Revenue

In its April 2000 edition of *Update California*, the Legislative Analysts Office (LAO) reported that California's cash receipts during the December through March period are over budget estimates by \$2.3 billion. Large gains in personal income tax receipts and sales and corporate tax collections are responsible for the increased revenue.

If the current trend continues through the end of the year, the LAO anticipates revenues for fiscal year 1999-00 will surpass the Governor's January budget proposal estimates by \$4 billion.

Listing of Redemptions

This listing reflects redemptions officially announced as of May 1, 2000.

Department of Water Resources, Central Valley Project Water System Revenue Bonds, Series H, Dated Date: January 1, 1991 (Full Redemption).

All bonds will be redeemed on June 1, 2000.

Department of Water Resources, Central Valley Project Water System Revenue Bonds, Series I, Dated Date: May 1, 1991 (Full Redemption).

All bonds will be redeemed on June 1, 2000.

Department of Veterans Affairs, Home Purchase Revenue Bonds, 1998 Series A, Dated Date: May 5, 1998 (Partial Redemption).

\$3,410,000 of the bonds maturing Dec. 1, 2018 and \$3,630,000 of the bonds maturing on Dec. 1, 2019 will be redeemed on June 1, 2000.

Questions regarding redemptions or registration information can be directed to (800) 900-3873.

Information & Assistance

To receive *The Treasury Note* newsletter monthly, enroll for direct deposit of your payments, or for bond-related questions, please call (800) 900-3873.

Bond Sales Calendar*

If you are interested in purchasing any of these bonds, please contact your broker two weeks before the sale date. For updated information, check our website (www.treasurer.ca.gov) or call (800) 900-3873.

BOND SALES	AMOUNT	SALE DATE
State Public Works Board, Department of Corrections and Youth Authority Lease Revenue Bonds	\$45 million	June 14, 2000
Various Purpose General Obligation Bonds	\$400-500 million	June 20, 2000

***Subject to change without notice.**

UCLA Anderson Forecast

According to the quarterly UCLA economic forecast, California continues to outpace the nation's non-farm employment rate. California's non-farm employment grew by 4 percent in the second half of 1999, almost twice that of the nation's 2.1 percent growth. The UCLA forecasters predict the strong non-farm employment growth to continue, with a projected annual growth rate of 3.5 percent in 2000.

Additionally, the economists reported California's February 2000 jobless rate of 4.6 percent was the lowest since 1959 and only a half percent higher than the national rate of 4.1 percent. "Latest estimates for the California jobless rate show a state economy which is approaching a fully-employed status," said Tom Lieser, Executive Director of the UCLA Anderson Forecasting Project. California's jobless rate is expected to catch up with the national jobless rate by 2001.

The economists also announced personal income gains of 6.7 percent in 1999, and expected gains of 7.6 percent in 2000, 6.1 percent in 2001 and 6.0 percent in 2002.

Taxable sales, up 8.2 percent in 1999, are expected to grow by 7.1 percent in 2000 and 6.4 percent in 2001 and 2002.

Nationally, the UCLA economists predict a 4.4 percent unemployment rate in 2000. Inflation is expected to average 2.9 percent in 2000, 3 percent in 2001, and 2.6 percent in 2002.

Overall, California and the nation continue to post strong performances in the new economy.